

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – FEBRUARY 28, 2002

PRESENT: Chairman John Byrne and Commissioner Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; Al Picconi, United Beverages, Inc.; Michael Goclowski, Law Warehouses

EXCUSED: Commissioner Anthony Maiola; Peter Engel, Director of Store Operations; George Tsiopras, Chief Accountant

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending February 24, 2002 shows retail sales were up almost 16.3%, on-premise sale were up 9.1%, off-premise sales were up a little over 5%, and total aggregate sales were up about 12.3%. The traffic count increased from last week by 6,557, as did the average sale by \$2.92.

The W-1 Total Weekly Sales report for the same week confirms total sales were up for the week by 12.3% or \$613,166, and were also up for the year by 6.93% or \$14,488,857. Wine sales increased by almost 14% or \$326,187 for the week, as they did by 9.2% or \$8,648,230 for the year. Sales of spirits were up on a weekly basis by 12.6% or \$340,127, and were also up year-to-date by almost 6% or \$7,004,475.

B. Budget Reports:

The current W-6 Expense Budget Activity Variance Report shows that the year is at 66.03% completed, with expenditures at about 65% for the entire agency.

A review of the latest Outstanding Depletions and Post-Offs report indicates that there are no brokers in arrears at this time.

The deal with Dell has finally been approved by the Attorney General's Office, and will be on the March 6th Governor and Council agenda. However, additional language from the Attorney General's Office regarding the Law contract has not yet been received, and will not go before Governor and Council until March 20th. Chairman Byrne asked that this be completed as quickly as possible.

There will be a final coordination meeting tomorrow regarding upstairs office renovations. No problems are anticipated, and work is scheduled to begin next weekend. All old furniture in the financial area will be moved and the floors stripped and carpeted on Saturday. IT will then move computers and other equipment back. Sunday will then be available to resolve any problems which may arise. Everything will be completed by Monday morning.

Within the next few days instructions will be available to access calendars for both the downstairs and upstairs conference rooms.

2. IT Reports

Howard said he recently became aware of a company which tests sites for vulnerability. Tests were ran on several servers, but the only machine with any kind of exposure is the web server.

Chairman Byrne inquired whether tracking is done to ensure that the Commission collects money from the close-out program where brokers pay so much a case/bottle for products which fail the test market. Craig said he will research this and come back to the Commission with an answer. The Chairman suggested having a quarterly report which shows delisted items and dollar amounts that are owed to the Commission. Mike Gocłowski asked what happens to product in the warehouse and how it is effected. John Byrne said work should be done on delisted codes to let brokers know which products need to either be shipped out or destroyed, and suggested producing a list of such codes. The brokers would then be given a choice as to what they wanted to do with the product.

II. MARKETING & SALES REPORTS

1. Store Operations

Last week was outstanding, with a significant increase in store sales and a \$200,000 increase on Sunday. This may have been due in part to Massachusetts' school vacation occurring at that time. John Bunnell noted that the leader, Store #73 Hampton south, surpassed Store #76 Hampton north by about \$18,000. Stores #25 Stratham, #42 Meredith, #50 Nashua and #10 Manchester continue to move along strongly. The new location for Store #11 Lebanon did an excellent job, with a gain of 105%.

There was discussion regarding a pilot program developed by Nicole, Kathy Hass and Howard in which Martignetti Companies of N.H. will do both paper and electronic price changes for the next quarter. Bacardi, Allied Domecq and Brown-Forman will also participate in the program. Howard will bring up at

the next conference call concerns as to whether or not local representatives will know what is being filed and just how accurate the information is expected to be.

Store personnel are very excited about the new Dream Kitchen Giveaway promotion which is now being set up in the stores. In addition, the 10%, 15% and 20% French Wine sale is ongoing at this time.

2. Warehouse Report

According to the latest warehouse report, everything seems to be in good order with nothing significant to report.

3. Purchasing Report

Rick Gerrish mentioned that Macallan 15-Year Old Scotch has now come in. Nicole has spoke with vendors regarding some of the items on the current out-of-stock list. There are also five Robert Mondavi items which are now back in stock and should be up here within two days.

4. Merchandising Report

A. SPIRITS:

1) Test Market Request (Dooley's Toffee Liqueur):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Meridian Mercantile Company for a new test market product listing for Dooley's Toffee Liqueur, 750ML size (assigned Code #8549), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) New Wine Product Listings (5 codes – Horizon Beverage Company):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the general distribution of the following five (5) 750ML size wine codes represented by Horizon Beverage Company, each of which has earned a gross profit of \$6,500 during a twelve-month period, the majority of which have been in the retail and on-premise markets, to be initially distributed to Cluster 1 and 2 stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing

& Sales: Code #17967, Gavi Banfi Principessa; Code #18152, Centine Rosso Banfi Toscana; Code #26732, Cabernet Sauvignon Bonterra Organic; Code #28238, Le Rime Banfi Chardonnay/Pinot Grigio; and Code #32019, Shiraz Owens Est. Ausl. The motion was unanimously adopted.

2) Special Introductory Offer for April/May 2002:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special introductory offer from United Beverages, Inc. based upon a special purchase allowance and depletions of three (3) new B&G wines, to be featured on sale during April and May 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Special Offers for April, 2002:

a. 11 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of eleven (11) wine items, to be featured on sale during April 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 77 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of seventy-seven (77) wine items, to be featured on sale during April 2002, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 63 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of sixty-three (63) wine items, to be featured on sale during April 2002, as recommended by Nicole Horton, Wine Marketing

Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Primary Source Submissions:

a. 24 items – imported:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of twenty-four (24) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 14 items – exclusive agent:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of fourteen (14) wine codes which are not from primary source, but are offered by the exclusive marketing agent, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS

None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all requests for bailment releases/transfers from February 22 through February 28, 2002. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve spirit and wine coupons submitted for the month of March 2002, as recommended by Richard Gerrish, Spirits Marketing Specialist and Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

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3. Late Items: None.

John W. Byrne, Chairman

Patricia T. Russell, Commissioner

/D. Hartford